

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7639

BILL NUMBER: HB 1823

DATE PREPARED: Jan 22, 2001

BILL AMENDED:

SUBJECT: Fire Protection Standards for Towns.

FISCAL ANALYST: Chris Baker

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FUNDS AFFECTED:

**GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill allows a local public question to be placed on the ballot concerning whether a town with a population of more than 500 but less than 5,000 shall adopt an ordinance adopting a public protection classification and standards consistent with the rating as established by Insurance Services Office, Inc. The bill provides standards for the town's fire protection system. It provides that if the town has a fire department, the standards may be used as guidelines for the operation and planning of the town fire department and for the legislative body to review and validate grant and funding requests for fire equipment from the fire department. The bill also requires an entity that contracts with the town to provide fire protection services consistent with the town's adopted public protection classification and standards. It also provides that landowners may petition and require a town legislative body to purchase firefighting equipment for the use of the volunteer fire department serving the town.

Effective Date: July 1, 2001.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: If a petition is filed with the Circuit Court Clerk, the following expenditures would be required:

- 1) Printing costs for publishing of newspaper articles and certifications of petitions either ruled sufficient or insufficient.
- 2) Postage costs for the mailing of certifications to the Town Legislative Body.

These expenses could be absorbed within the Circuit Court's Budget.

Background: Insurance Services Office Inc. (ISO) offers classification of a town's firefighting capabilities.

ISO evaluates a town's firefighting capability using their Fire Suppression Rating Schedule. The schedule rates the following three main categories of fire suppression based on level of importance: engine companies (50%), water supply (40%), and fire alarms (10%).

Based on the evaluation, ISO then assigns the town with a Public Protection Classification (PPC). The PPC helps to determine the amount a principal place of residence will pay for the fire protection portion of homeowners insurance. Classifications are numbers ranging between 1 and 10. A classification of 1 is the highest level of fire suppression capability. A classification of 10 is equated to no suppression capability. If a town's fire department also has rural jurisdiction, ISO assigns two classifications. One is for the department's urban suppression capabilities and the other classification is for the unit's rural capabilities.

Generally, the lower the PPC, the less a homeowner will pay for fire protection insurance premiums, as has been the experience of the Klein Fire District in Klein, Texas. However, when Klein transferred to an ISO rating in 1998, the town experienced an increase in the average base insurance rate by approximately 6%, regardless of their initial PPC rating. Their previous insurance rating system had taken into account Klein's close proximity to Houston fire services. The ISO audit did not.

If a public question on the adoption of ISO standards were to be approved by a majority of citizens in a town that meets the population requirement of this proposal, the town legislative body would be required to pass an ordinance adopting the ISO rating. The specific impact of this proposal would depend on a municipality, within the population requirement, adopting an ordinance to adopt an ISO rating. If a town that adopted an ISO rating was unsatisfied with the rating, there is a provision to rescind the ordinance through another public question. The town in question could then make improvements to their fire suppression capabilities. Improvements could lead to increased expenditures. However, ISO ratings could help streamline costs associated with the purchase of fire equipment. The guidelines provided could eliminate unnecessary expenses on fire equipment not required, and could allow a municipality to focus on the greatest fire suppression needs.

Explanation of Local Revenues: See *Explanation of Local Expenditures*.

State Agencies Affected: State Fire Marshal.

Local Agencies Affected: Town fire departments, County Circuit Courts, Town legislative bodies, County Election Boards.

Information Sources: Jim Kloboucnik, Brooklyn Town Council, (317) 831-1076. Steve Williams, Indiana Insurance Institute of Indiana, (317) 464-2457. Insurance Services Office Inc.; City of Iowa City, Iowa; City of Colorado Springs, Colorado; Klein Fire District, Texas; Texas Department of Insurance; City of Beatty, Nevada, "Your Next ISO Rating: Simple Solutions."